



MC Mining Limited

Previously Coal of Africa Limited

(Incorporated and registered in Australia)

Registration number ABN 008 905 388

ISIN AU000000MCM9

JSE share code: MCZ

ASX/AIM code: MCM

ANNOUNCEMENT

19 June 2019

MAKHADO PHASE 1 HARD COKING COAL OFF-TAKE CONCLUDED

MC Mining Limited (“**MC Mining**”) is pleased to announce the completion of a major milestone for the company through the signing of an off-take agreement (the “**Agreement**”) with ArcelorMittal South Africa Limited (“**AMSA**”). The Agreement results in AMSA purchasing hard coking coal (“**HCC**”) that will be produced from Phase 1 of the Makhado coking coal project (“**Makhado Project**” or “**Makhado**”).

The Agreement reaffirms the quality of Makhado’s HCC and follows the April 2019 announcement of an off-take with one of the world’s largest producers and marketers of seaborne traded coal for all the by-product thermal coal to be produced by Phase 1. Completion of these off-takes satisfies a key requirement for the Makhado Project’s economics and allows funding discussions to gain further traction with construction anticipated to commence in Q3 CY2019.

South Africa has a very limited production of high-quality metallurgical (coking) coal, resulting in AMSA and other coke producers having to import HCC for the manufacture of metallurgical coke, a key ingredient in the production of steel. The key highlights of the Agreement are:

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Chairman Bernard R. Pryor **Chief Executive Officer** David H Brown **Chief Financial Officer** Brenda Berlin

Non-executive directors Peter G Cordin, Andrew D Mifflin, Khomotso B. Mosehla, Thabo F. Mosololi, Shangren Ding, An Chee Sin, Brian H Zhen, Sebastiano Randazzo

- AMSA will purchase a minimum of 350,000 tonnes (“t”) of Phase 1 HCC annually and has the right to acquire a further 100,000t per year;
- the Agreement will endure for the shorter of ten years or the Phase 1 life-of-mine;
- HCC will be delivered to the Musina siding and railed to AMSA’s Vanderbijlpark and Newcastle operations;
- The HCC will be sold on a FOR (free on rail) basis; and
- sales prices will be calculated on a monthly basis and are linked to a published, international US dollar denominated HCC index.

The Agreement is subject to various conditions precedent, including:

- confirmation by 15 December 2019 that the requisite funding for the development of Phase 1 has been secured; and
- confirmation by 30 June 2020 that delivery of HCC will commence within six months.

Phase 1 of the Makhado Project will result in the development of the west pit on the Daru and Tanga farms with a nine-month construction period expected to commence in Q3 CY2019 and will be followed by a one-month ramp-up. This phase will generate approximately three million tonnes per annum (“Mtpa”) of run-of-mine (“ROM”) coal that will undergo preliminary processing at the mine, yielding an estimated 2Mtpa of residual coal. The residual coal will be transported to the existing, modified Vele Colliery for final processing, producing approximately 0.54Mtpa of HCC and 0.57Mtpa of export quality thermal coal that will be trucked to the Musina siding for dispatching to customers.

As stated, the conclusion of this Agreement ensures off-takes for Phase 1 are completed, a key component for the launch of the project. This also ensures that MC Mining can contemplate the development of Phase 2 of the Makhado Project (Makhado ‘Lite’) that also has significant positive economics. The construction of Phase 2 in *circa* CY2022 will include the development of the east and central pits on the recently acquired Lukin and Salaita properties and is expected to produce some 4Mtpa of ROM coal. This will yield approximately 0.8Mtpa of HCC and between 0.9Mtpa and 1.0Mtpa of export quality thermal coal. MC Mining has secured an initial three-year off-take for a minimum of

0.4Mtpa of Phase 2 HCC with Huadong Coal Trading Center Co, Ltd (“**HDCTC**”), a Chinese state-owned enterprise. HDCTC has logistics and bulk commodity interests and traded in excess of 5,000,000t of iron ore and coal during the past two years which necessities that *circa* 50% of the Phase 2 HCC is also subject to off-take agreements.

David Brown, CEO commented:

“The signing of the Phase 1 HCC off-take agreement with AMSA is a massively positive step for Makhado. MC Mining is now positioned to become South Africa’s pre-eminent producer of high-grade metallurgical coal and the Makhado coking coal will partially replace coking coal currently imported.

The phased development of Makhado reduces execution risk by utilising the existing Vele Colliery processing facility as well as previously tested logistics infrastructure and generates a significant number of employment opportunities in the Limpopo province. The Agreement, together with the announcement in April 2019 of the Phase 1 thermal coal off-take agreement, reaffirms the world-class quality of the Makhado coal and satisfies a key requirement for funders. The long-term viability of Makhado’s HCC is supported by global steel demand that is expected to grow over the next ten years, with economic development and urbanisation driving increases in per capita steel usage.

Negotiations for a composite debt and equity funding arrangement continue. We anticipate that these processes will be completed in Q3 CY2019, with construction of Phase 1 of our flagship Makhado Project commencing later in the same period.”

Authorised by
David Brown
Chief Executive Officer

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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About MC Mining Limited:

MC Mining Limited (MC Mining) is an AIM/ASX/JSE listed coal exploration, development and mining company operating in South Africa. MC Mining's key projects include the Uitkomst Colliery (metallurgical coal), Makhado coking and thermal coal project, Vele Colliery (coking and thermal coal) and the Greater Soutpansberg Projects (coking and thermal coal).

Forward-Looking Statements

This Announcement, including information included or incorporated by reference in this Announcement, may contain "forward-looking statements" concerning MC Mining that are subject to risks and uncertainties. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond MC Mining's ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. MC Mining cannot give any assurance that such forward-looking statements will prove to have been correct. The reader is cautioned not to place undue reliance on these forward looking statements. MC Mining assumes no obligation and do not undertake any obligation to update or revise publicly any of the forward-looking statements set out herein, whether as a result of new information, future events or otherwise, except to the extent legally required.

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